

***CITY OF HUDSONVILLE***  
***HUDSONVILLE, MICHIGAN***

70-0050

***FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED JUNE 30, 2004***



REHMANN ROBSON

**AUDITING PROCEDURES REPORT**

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>CITY OF HUDSONVILLE</b>	County <b>OTTAWA</b>
Audit Date <b>JUNE 30, 2004</b>	Opinion Date <b>AUGUST 11, 2004</b>	Date Accountant Report Submitted to State: <b>DECEMBER 15, 2004</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) <b>REHMANN ROBSON</b>			
Street Address <b>PO BOX 6547</b>	City <b>GRAND RAPIDS</b>	State <b>MI</b>	ZIP <b>49516-6547</b>
Accountant Signature <i>[Signature]</i>			

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

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## INDEPENDENT AUDITORS' REPORT

August 11, 2004

Honorable Mayor and  
Members of the City Council  
City of Hudsonville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hudsonville, Michigan (the "City"), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Hudsonville, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of the City of Hudsonville, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and major streets fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2004 on our consideration of the City of Hudsonville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 11, the City adopted the provisions of Governmental Accounting Standards Board Statement Nos. 34, 37, and 38 and GASB Interpretation 6 as of July 1, 2003. This results in a change to the City's format and content of the basic financial statements.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hudsonville's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the City of Hudsonville's basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The continuing disclosure section has not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion on it.

*Rehman Lobson*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of Hudsonville, we offer readers of the City of Hudsonville's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- The City's commitment to public safety was supported by over 28% of general fund expenditures.
- New GASB Statement #34 Financial Statement Presentation

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Hudsonville's financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Hudsonville that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, police and fire services, public works including major and local street maintenance and recreation and cultural activities. The business-type activities of the City include sewer and water services.



The government-wide financial statements include not only the City of Hudsonville itself (known as the *primary government*), but also a legally separate Tax Increment Finance Authority, Local District Finance Authority, and Downtown Development Authority for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hudsonville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund, and 1999 Special Assessment Bonds Debt Service fund, each of which are considered to be major funds. Data from the other twenty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-21 of this report.

**Proprietary funds.** The City of Hudsonville maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business type activities* in the government-wide financial statements. The City of Hudsonville uses enterprise funds to account for its sewer and water operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The City uses *Internal Service funds* to account for its fleet of vehicles, compensated absences, fire equipment and insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operation, of which both are considered to be major funds of the City of Hudsonville.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statement can be found on page 25 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-40 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 41-49 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Hudsonville, assets exceeded liabilities by \$10,397,494 at the close of the most recent fiscal year.

A portion of the City's net assets reflects unrestricted net assets which are available for future operation while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.

### City of Hudsonville Net Assets

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Current and other assets	\$ 2,654,035	\$1,587,251	\$ 4,241,286
Capital assets	<u>7,452,422</u>	<u>5,701,444</u>	<u>13,153,866</u>
Total assets	<u>10,106,457</u>	<u>7,288,695</u>	<u>17,395,152</u>
Long-term liabilities outstanding	5,211,416	1,015,000	6,226,416
Other liabilities	<u>615,939</u>	<u>155,303</u>	<u>771,242</u>
Total liabilities	<u>5,827,355</u>	<u>1,170,303</u>	<u>6,997,658</u>
Net assets:			
Invested in capital assets, net			
of related debt	1,890,499	4,636,680	6,527,179
Restricted	39,881	-	39,881
Unrestricted	<u>2,348,722</u>	<u>1,481,712</u>	<u>3,830,434</u>
Total net assets	<u>\$ 4,279,102</u>	<u>\$6,118,392</u>	<u>\$10,397,494</u>

Net assets of the City increased by \$661,303. The business-type activities decrease in net assets of \$44,790 was primarily due to the increase in expenses. The governmental activities increase in net assets of \$706,093 is the result of estimated useful lives utilized in calculating depreciation and the relationship of expenditures to governmental activities revenues.

### City of Hudsonville Changes in Net Assets

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Revenue:			
Program revenue:			
Charges for services	\$ 773,648	\$1,302,412	\$2,076,060
Operating grants and contributions	40,237		40,237
Capital grants and contributions	<u>5,605</u>	<u>-</u>	<u>5,605</u>
	819,490	1,302,412	2,121,902
General revenue:			
Property taxes	2,285,053	-	2,285,053
Other governmental sources	619,398		619,398
Unrestricted investment earnings	78,009	24,542	102,551
Miscellaneous revenues	<u>75</u>	<u>6,019</u>	<u>6,094</u>
Total revenue	<u>3,802,025</u>	<u>1,332,973</u>	<u>5,134,998</u>

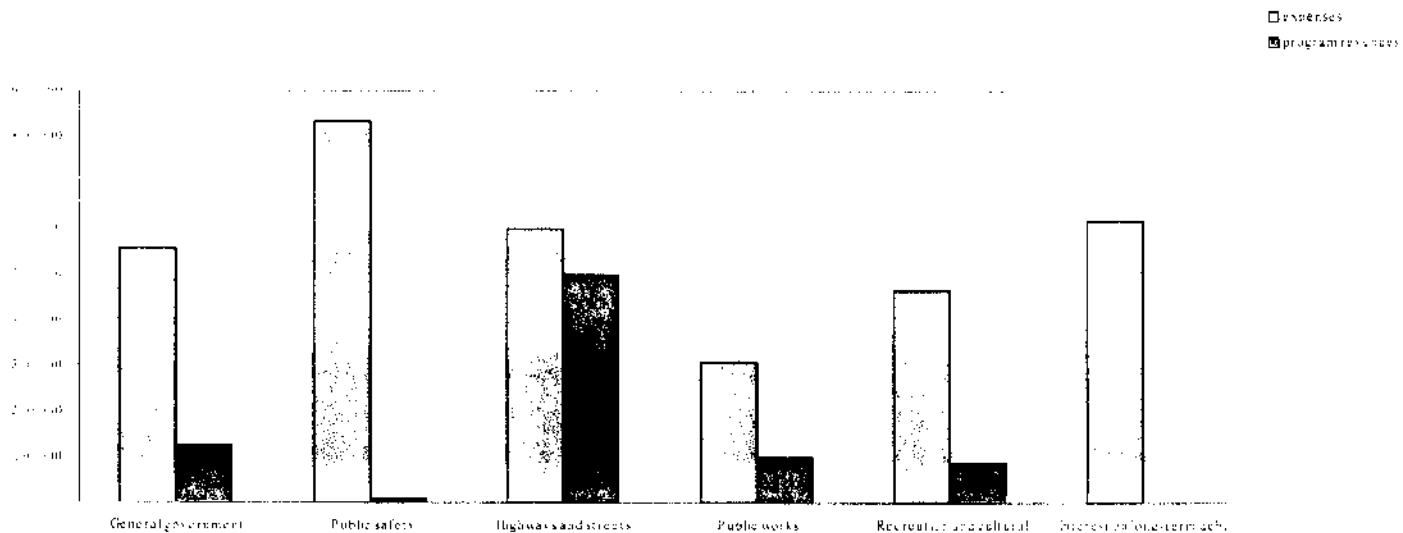
## City of Hudsonville Changes in Net Assets (Continued)

	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>
Expenses:			
General government	\$215,706	\$ -	\$ 215,706
Public safety	850,800	-	850,800
Public works	307,927	-	307,927
Highway and streets	542,127	-	542,127
Recreation and cultural	483,945	-	483,945
Interest on long-term debt	603,893	-	603,893
Sewer	-	700,654	700,654
Water	-	768,643	768,643
<b>Total expenses</b>	<b>3,004,398</b>	<b>1,469,297</b>	<b>4,473,695</b>
<b>Increase (decrease) in net assets before transfers</b>	<b>797,627</b>	<b>(136,324)</b>	<b>661,303</b>
<b>Transfers</b>	<b>(91,534)</b>	<b>91,534</b>	<b>-</b>
<b>Increase (decrease) in net assets</b>	<b>706,093</b>	<b>(44,790)</b>	<b>661,303</b>
<b>Net assets - beginning of year</b>	<b>3,573,009</b>	<b>6,163,182</b>	<b>9,736,191</b>
<b>Net assets - end of year</b>	<b>\$4,279,102</b>	<b>\$6,118,392</b>	<b>\$10,397,494</b>

### Governmental activities

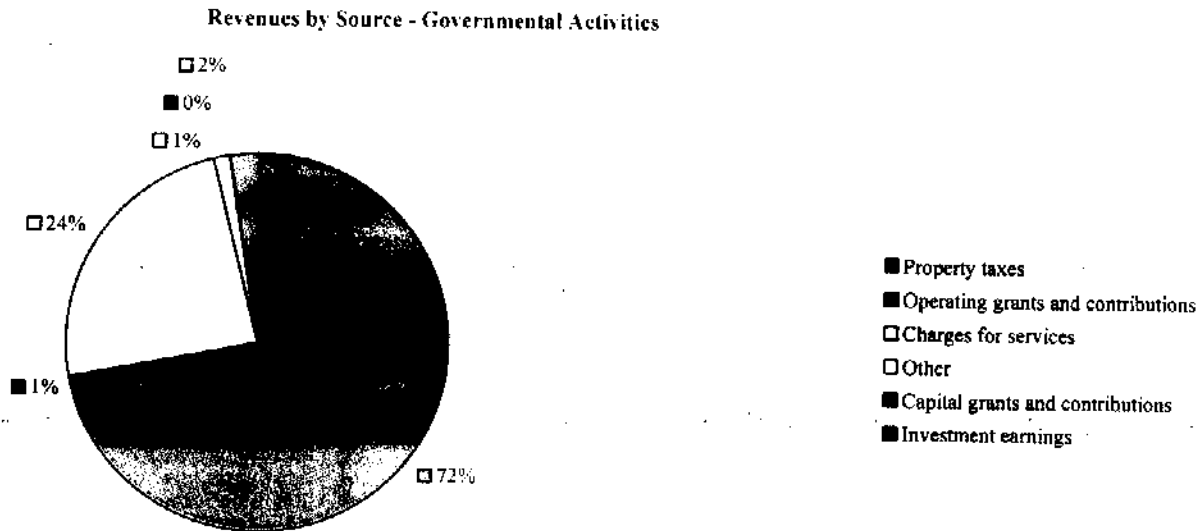
During the year, the City continued its emphasis in public safety by investing \$850,800 or 28% of governmental activities expenses. Recreation and cultural was \$483,945 or 18% of governmental activities expenses while general government, public works and interest on long-term debt made up the remaining 54% of governmental activities expenses.

### Expenses and Program Revenues - Governmental Activities



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## Revenues by Source - Governmental Activities

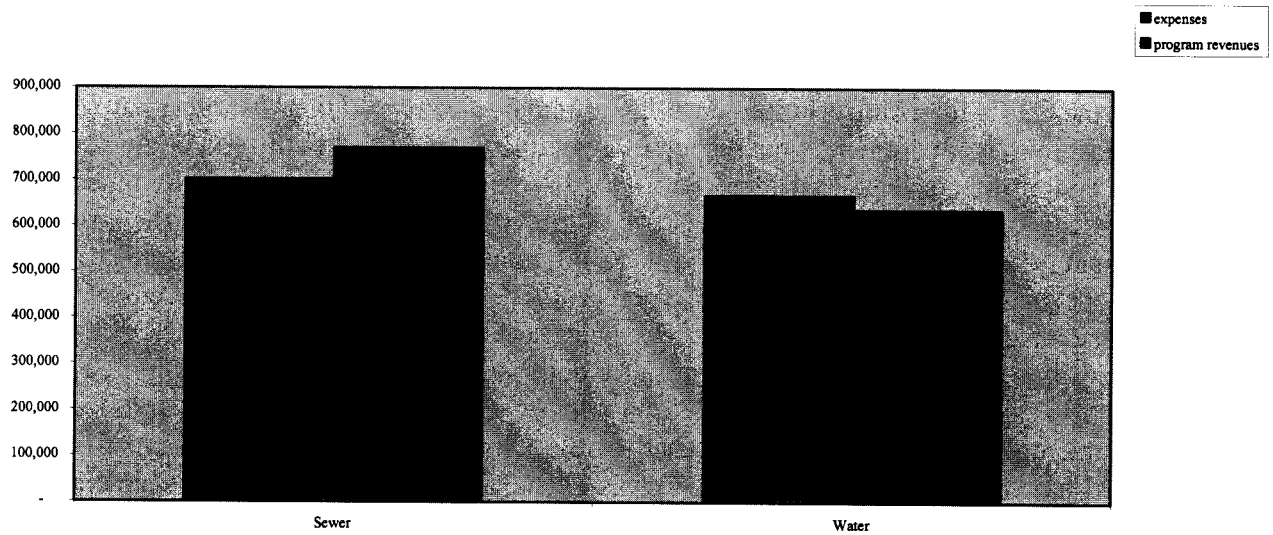


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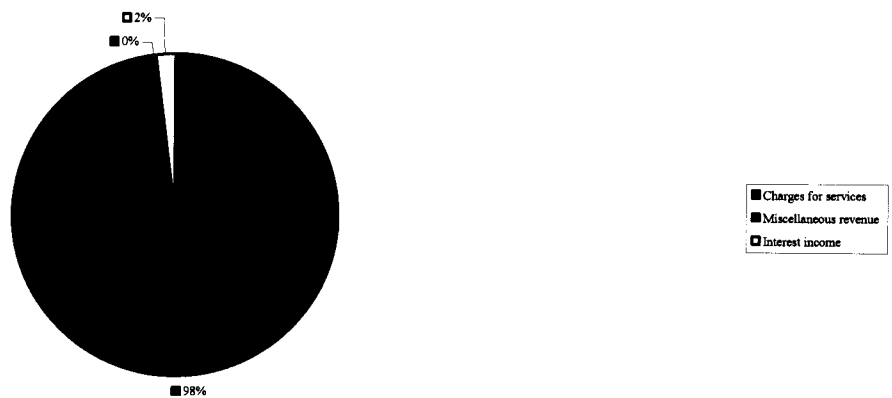
**Business-type activities.** Business-type activities decreased the City's net assets by \$44,790. By comparison, business-type activities reported an increase in net assets the previous fiscal year of approximately \$410,884. Key elements of this decrease are as follows:

- Charges for services for business-type activities increased by 3%, or roughly \$37,000 compared to the prior year. This is a result of an increase in usage along with minimum rate increase of approximately 1% for both water and sewer.
- Expenses increased 23%, or approximately \$344,000, primarily because of increased professional and contractual costs of approximately \$242,000, an increase in sewer disposal costs of approximately \$86,612, and inflationary increases.

## Expenses and Program Revenues - Business-type Activities



## Revenues by Source - Business-type Activities



## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,571,503, an increase of \$296,707, in comparison with the prior year. Approximately 94% of this total amount (\$1,475,443) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to generate income for library purposes (\$15,733), and 2) for debt service purposes (\$80,327).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,200,178. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 46 percent of total general fund expenditures and transfers.

The fund balance of the City's general fund increased by \$249,675 during the current fiscal year. This is primarily attributable to growth in property tax revenue.

The major street fund has a total fund balance of \$107,506, which decreased by \$61,805 during the year. Original budget estimates anticipated a significant reduction to fund balance for reconstruction projects.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$681,556 and \$800,156, respectively. The sewer fund had an increase in net assets for the year of \$31,100, whereas the water fund had a decrease of \$75,890. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor for the year.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounted to \$13,153,866 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 2.4 percent (a 2 percent increase for governmental activities and a 0.4 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Purchase of a new water main.
- Paving and street resurfacing in the amount of approximately \$75,000.

### City of Hudsonville Capital Assets (net of depreciation)

	<u>Governmental activities</u>	<u>Business- type activities</u>	<u>Total</u>
Land	\$3,059,582	\$ 39,936	\$ 3,099,518
Land improvements	430,849	-	430,849
Buildings and system improvements	2,831,605	5,661,508	8,493,113
Machinery and equipment	1,081,305	-	1,081,305
Office furniture and equipment	49,081	-	49,081
<b>Total</b>	<u><b>\$7,452,422</b></u>	<u><b>\$5,701,444</b></u>	<u><b>\$13,153,866</b></u>

Additional information on the City of Hudsonville capital assets can be found in Note 4 on pages 33 and 34 of this report.



**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$6,748,430. Of this amount, \$1,070,000 was debt of business activities and \$5,678,430 was debt of governmental activities.

#### General Obligation and Revenue Bonds

	<b><u>Governmental activities</u></b>	<b><u>Business-type activities</u></b>	<b><u>Total</u></b>
Accrued employee benefits	\$ 116,507	\$ -	\$ 116,507
Bonds and notes payable	<u>5,561,923</u>	<u>1,070,000</u>	<u>6,631,923</u>
<b>Total</b>	<b><u>\$5,678,430</u></b>	<b><u>\$1,070,000</u></b>	<b><u>\$6,748,430</u></b>

The City's total debt decreased by \$755,840 (11 percent) during the current fiscal year.

The City is currently not rated for general obligation bond issuance.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$19,391,000, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 9 on pages 37 and 38 of this report.

#### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2004-05 fiscal year:

- The City expects a reduction in state revenue sharing. As a result, the City budgeted for only the constitutional portion of revenue sharing for 2004-2005.
- Increases in wages of 3.25%.
- No change in health insurance costs due to a change in carriers.
- Rate increases in the water and sewer charges.

#### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 3275 Central Boulevard, Hudsonville, MI 49426-1450.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF HUDSONVILLE**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2004**

	PRIMARY GOVERNMENT			COMPONENT UNITS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	TAX INCREMENT FINANCE AUTHORITY	LOCAL DEVELOPMENT FINANCE AUTHORITY	DOWNTOWN DEVELOPMENT AUTHORITY
<b>ASSETS</b>						
Cash and pooled investments	\$ 2,214,891	\$ 1,134,876	\$ 3,349,767	\$ 601,671	\$ 751	\$ 32,559
Receivables						
Accounts	31,838	288,838	320,676	-	-	-
Special assessments	82,077	1,217	83,294	-	-	-
Interest	24,707	12,240	36,947	6,705	7	356
Due from other governmental units	282,389	-	282,389	-	-	-
Advance to Component Unit	-	60,170	60,170	-	-	-
Deposits	2,400	-	2,400	-	-	-
Restricted assets						
Cash and pooled investments	15,733	51,995	67,728	-	-	-
Inventory	-	37,915	37,915	-	-	-
Land	3,059,582	39,936	3,099,518	-	-	-
Property, plant and equipment, net of accumulated depreciation	4,392,840	5,661,508	10,054,348	-	-	-
<b>TOTAL ASSETS</b>	<b>10,106,457</b>	<b>7,288,695</b>	<b>17,395,152</b>	<b>608,376</b>	<b>758</b>	<b>32,915</b>
<b>LIABILITIES</b>						
Accounts payable	47,926	93,587	141,513	-	-	3,624
Other accrued liabilities	44,006	3,984	47,990	-	-	-
Advance from primary government	-	-	-	-	60,170	-
Accrued interest	56,993	7,968	64,961	21,596	3,822	-
Noncurrent liabilities						
Unamortized discount on revenue bonds	-	(5,236)	(5,236)	-	-	-
Accrued employee benefits	116,507	-	116,507	-	-	-
Due within one year	350,507	55,000	405,507	140,000	166,349	-
Due in more than one year	5,211,416	1,015,000	6,226,416	1,655,000	85,870	-
<b>TOTAL LIABILITIES</b>	<b>5,827,355</b>	<b>1,170,303</b>	<b>6,997,658</b>	<b>1,816,596</b>	<b>316,211</b>	<b>3,624</b>
<b>NET ASSETS (DEFICIT)</b>						
Invested in capital assets, net of related debt	1,890,499	4,636,680	6,527,179	-	-	-
Restricted for						
Library	15,733	-	15,733	-	-	-
Debt service	80,327	-	80,327	-	-	-
Unrestricted	2,292,543	1,481,712	3,774,255	(1,208,220)	(315,453)	29,291
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>\$ 4,279,102</b>	<b>\$ 6,118,392</b>	<b>\$ 10,397,494</b>	<b>\$ (1,208,220)</b>	<b>\$ (315,453)</b>	<b>\$ 29,291</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF HUDSONVILLE

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
General government	\$ 215,706	\$ 124,770	\$ -	\$ -	\$ (90,936)
Public safety	850,800	6,861	-	-	(843,939)
Highways and streets	542,127	498,406	-	1,530	(42,191)
Public works	307,927	90,107	7,222	4,075	(206,523)
Recreation and cultural	483,945	53,504	33,015	-	(397,426)
Interest on long-term debt	603,893	-	-	-	(603,893)
Total governmental activities	3,004,398	773,648	40,237	5,605	(2,184,908)
Business-type activities					
Sewer	700,654	666,562	-	-	(34,092)
Water	768,643	635,850	-	-	(132,793)
Total business-type activities	1,469,297	1,302,412	-	-	(166,885)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 4,473,695</b>	<b>\$ 2,076,060</b>	<b>\$ 40,237</b>	<b>\$ 5,605</b>	<b>\$ (2,351,793)</b>
<b>COMPONENT UNITS</b>					
Tax Increment Finance Authority	\$ 118,792	\$ -	\$ -	\$ -	(118,792)
Local Development Finance Authority	29,149	-	-	-	(29,149)
Downtown Development Authority	12,213	-	-	-	(12,213)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 160,154</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (160,154)</b>

(Continued)

The accompanying notes are an integral part of these financial statements.

**CITY OF HUDSONVILLE**  
**STATEMENT OF ACTIVITIES (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2004**

FUNCTIONS/PROGRAMS	PRIMARY GOVERNMENT			COMPONENT UNITS		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	TAX INCREMENT FINANCE AUTHORITY	LOCAL DEVELOPMENT FINANCE AUTHORITY	DOWNTOWN DEVELOPMENT AUTHORITY
CHANGES IN NET ASSETS						
Net (expense) revenue	\$ (2,184,908)	\$ (166,885)	\$ (2,351,793)	\$ (118,792)	\$ (29,149)	\$ (12,213)
General revenues:						
Property taxes	2,285,053	-	2,285,053	426,924	205,412	5,331
Other governmental sources	619,398	-	619,398	-	-	-
Unrestricted investment earnings	78,009	24,542	102,551	14,370	1,381	586
Transfers	(91,534)	91,534	-	-	-	-
Miscellaneous revenues	75	6,019	6,094	-	-	2,773
TOTAL GENERAL REVENUES AND TRANSFERS	2,891,001	122,095	3,013,096	441,294	206,793	8,690
Change in net assets	706,093	(44,790)	661,303	322,502	177,644	(3,523)
Net assets (deficit), beginning of year	3,573,009	6,163,182	9,736,191	(1,530,722)	(493,097)	32,814
NET ASSETS (DEFICIT), END OF YEAR	\$ 4,279,102	\$ 6,118,392	\$ 10,397,494	\$ (1,208,220)	\$ (315,453)	\$ 29,291

(Concluded)

The accompanying notes are an integral part of these financial statements.

**CITY OF HUDSONVILLE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**JUNE 30, 2004**

	1999				
	SPECIAL				
	ASSESSMENT				
	BONDS				
	DEBT				
	OTHER				
	GOVERNMENTAL				
	FUNDS				
	TOTAL				
	GOVERNMENTAL				
	FUNDS				
	GENERAL	MAJOR	STREETS	DEBT	TOTAL
	GENERAL	STREETS	SERVICE	FUND	FUNDS
<b><u>ASSETS</u></b>					
Cash and pooled investments	\$ 1,032,952	\$ 52,571	\$ 25,756	\$ 225,923	\$ 1,337,202
Restricted cash and pooled investments	-	-	-	15,733	15,733
Due from state	204,065	58,324	-	20,000	282,389
Due from other funds	13,012	-	-	-	13,012
Accounts receivable (net of allowance for uncollectibles)	-	-	-	31,530	31,530
Interest receivable	12,129	580	283	2,441	15,433
Special assessment receivable	-	-	65,312	16,765	82,077
<b><u>TOTAL ASSETS</u></b>	<b>\$ 1,262,158</b>	<b>\$ 111,475</b>	<b>\$ 91,351</b>	<b>\$ 312,392</b>	<b>\$ 1,777,376</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 22,876	\$ 1,792	\$ -	\$ 13,808	\$ 38,476
Accrued wages	39,104	2,177	-	1,889	43,170
Due to other funds	-	-	-	39,514	39,514
Deferred revenue	-	-	67,203	17,510	84,713
<b>TOTAL LIABILITIES</b>	<b>61,980</b>	<b>3,969</b>	<b>67,203</b>	<b>72,721</b>	<b>205,873</b>
<b>FUND BALANCES</b>					
Reserved for library endowment	-	-	-	15,733	15,733
Reserved for debt service	-	-	24,148	56,179	80,327
Unreserved:					
Undesignated	1,200,178	107,506	-	-	1,307,684
Undesignated, reported in nonmajor:					
Special revenue funds	-	-	-	136,953	136,953
Capital projects funds	-	-	-	30,806	30,806
<b>TOTAL FUND BALANCES</b>	<b>1,200,178</b>	<b>107,506</b>	<b>24,148</b>	<b>239,671</b>	<b>1,571,503</b>
<b><u>TOTAL LIABILITIES AND FUND EQUITY</u></b>	<b>\$ 1,262,158</b>	<b>\$ 111,475</b>	<b>\$ 91,351</b>	<b>\$ 312,392</b>	<b>\$ 1,777,376</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF HUDSONVILLE**

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET  
FOR GOVERNMENTAL FUNDS TO THE NET ASSETS OF GOVERNMENTAL  
ACTIVITIES ON THE STATEMENT OF NET ASSETS**

**JUNE 30, 2004**

Fund balances- total governmental funds		\$ 1,571,503
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Add- land		3,059,582
Add- capital assets (net of accumulated depreciation)		4,392,840
Certain assets, such as special assessments receivable are not due and receivable in the current period and therefore are offset with deferred revenue in the fund statements.		
Add - deferred revenue on special assessments receivable		84,713
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities		
Add - net assets of governmental activities accounted for in internal service funds		1,787,084
Subtract - Capital assets accounted for in internal service funds, net of accumulated depreciation		(881,197)
Certain liabilities, such as bond payable, are not due and payable in the current period and therefore are not reported in the funds.		
Deduct- bonds payable		(5,561,923)
Deduct- accrued interest		(56,993)
Deduct - compensated absences		(116,507)
Net assets of governmental activities		<u>\$ 4,279,102</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF HUDSONVILLE

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	1999				
	SPECIAL				
	ASSESSMENT				
	BONDS				
	DEBT				
	OTHER				
	GOVERNMENTAL				
	TOTAL				
	GOVERNMENTAL				
	FUNDS				
	GENERAL	MAJOR STREETS	SERVICE	FUNDS	FUNDS
REVENUES					
Taxes and assessments	\$ 1,950,942	\$ -	\$ 8,895	\$ 325,216	\$ 2,285,053
Licenses and permits	78,335	-	-	-	78,335
Intergovernmental	619,398				
State	-	353,232	-	134,894	488,126
Federal	-	-	-	1,530	1,530
Charges for services	99,973	-	-	52,454	152,427
Interest	51,386	(65)	568	10,945	62,834
Fines and forfeitures	21,625	-	-	-	21,625
Miscellaneous	12,813	16,276	-	48,433	77,522
TOTAL REVENUES	2,834,472	369,443	9,463	573,472	3,786,850
EXPENDITURES					
Current					
General government	798,570	-	-	-	798,570
Public safety	843,655	-	-	9,942	853,597
Highways and streets	195,859	252,180	-	151,644	599,683
Culture and recreation	204,513	-	-	262,950	467,463
Capital outlay	-	-	-	38,108	38,108
Debt service:					
Principal retirement	-	-	15,000	318,006	333,006
Interest and fiscal charges	-	-	7,650	274,883	282,533
Miscellaneous	8,463	-	-	-	8,463
TOTAL EXPENDITURES	2,051,060	252,180	22,650	1,055,533	3,381,423
REVENUES OVER (UNDER) EXPENDITURES	783,412	117,263	(13,187)	(482,061)	405,427
OTHER FINANCING SOURCES (USES)					
Transfers in	1,169	62,500	-	779,128	842,797
Transfers (out)	(534,906)	(241,568)	-	(175,043)	(951,517)
TOTAL OTHER FINANCING SOURCES (USES)	(533,737)	(179,068)	-	604,085	(108,720)
NET CHANGE IN FUND BALANCES	249,675	(61,805)	(13,187)	122,024	296,707
FUND BALANCES - BEGINNING OF YEAR	950,503	169,311	37,335	117,647	1,274,796
FUND BALANCES - END OF YEAR	\$ 1,200,178	\$ 107,506	\$ 24,148	\$ 239,671	\$ 1,571,503

The accompanying notes are an integral part of these financial statements.



**CITY OF HUDSONVILLE**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2004**

Net change in fund balances - total governmental funds \$ 296,707

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Add - capital outlay	93,841
Deduct - depreciation expense	(115,406)

Bond proceeds provide current financial resources to governmental funds in the period  
issued, but issuing bonds increases long-term liabilities in the statement of net assets.  
Repayment of bond principal is an expenditure in the governmental funds, but the  
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term debt	333,006
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Some expenses reported in the statement of activities do not require the use of current  
financial resources and therefore are not reported as expenditures in the funds.

Add- decrease in interest expense for accrued interest	11,646
Add- decrease in the accrual for compensated absences	37,303

An internal service fund is used by management to charge the costs of certain services to individual  
governmental funds. The net revenue (expense) of the fund attributable to those funds is reported with  
governmental activities.

Add - income from governmental activities in internal service fund	48,996
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Change in net assets of governmental activities	<u>\$ 706,093</u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF HUDSONVILLE**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2004**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 1,920,115	\$ 1,920,115	\$ 1,950,942	\$ 30,827
Licenses and permits	64,710	64,710	78,335	13,625
State	600,000	624,000	619,398	(4,602)
Charges for services	85,600	85,600	99,973	14,373
Interest	25,000	25,000	51,386	26,386
Fines and forfeits	20,100	20,100	21,625	1,525
Miscellaneous	6,600	6,600	12,813	6,213
<b>TOTAL REVENUES</b>	<b>2,722,125</b>	<b>2,746,125</b>	<b>2,834,472</b>	<b>88,347</b>
EXPENDITURES				
General Government:				
Legislative	30,884	33,884	31,556	2,328
Executive	50,431	65,206	62,388	2,818
Elections	11,334	5,984	5,080	904
Assessor	69,584	88,849	83,833	5,016
Attorney	31,000	15,500	15,042	458
Clerk	59,551	59,551	58,748	803
Finance and accounting	125,691	125,641	119,038	6,603
City building and grounds	153,054	148,410	144,925	3,485
General administration	40,332	34,982	33,639	1,343
Information services	80,754	80,649	76,909	3,740
Miscellaneous	190,500	103,579	61,791	41,788
<b>TOTAL GENERAL GOVERNMENT</b>	<b>843,115</b>	<b>762,235</b>	<b>692,949</b>	<b>69,286</b>
Public Safety				
Police	686,365	709,583	690,730	18,853
Fire	152,815	152,267	131,988	20,279
Code enforcement	29,018	25,018	20,937	4,081
<b>TOTAL PUBLIC SAFETY</b>	<b>868,198</b>	<b>886,868</b>	<b>843,655</b>	<b>43,213</b>
<b>HIGHWAYS AND STREETS</b>	<b>162,219</b>	<b>204,019</b>	<b>195,859</b>	<b>8,160</b>
<b>CULTURE AND RECREATION</b>	<b>229,772</b>	<b>220,473</b>	<b>204,513</b>	<b>15,960</b>
<b>PLANNING COMMISSIONS</b>	<b>111,681</b>	<b>112,281</b>	<b>105,621</b>	<b>6,660</b>
<b>OTHER FUNCTIONS</b>	<b>13,680</b>	<b>10,180</b>	<b>8,463</b>	<b>1,717</b>
<b>TOTAL EXPENDITURES</b>	<b>2,228,665</b>	<b>2,196,056</b>	<b>2,051,060</b>	<b>144,996</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>493,460</b>	<b>550,069</b>	<b>783,412</b>	<b>233,343</b>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,169	1,169
Transfers (out)	(479,298)	(534,907)	(534,906)	1
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(479,298)</b>	<b>(534,907)</b>	<b>(533,737)</b>	<b>1,170</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>14,162</b>	<b>15,162</b>	<b>249,675</b>	<b>234,513</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>950,503</b>	<b>950,503</b>	<b>950,503</b>	<b>-</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 964,665</b>	<b>\$ 965,665</b>	<b>\$ 1,200,178</b>	<b>\$ 234,513</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF HUDSONVILLE**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
MAJOR STREETS FUND**

**FOR THE YEAR ENDED JUNE 30, 2004**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental revenues:				
State	\$ 305,000	\$ 305,000	\$ 353,232	\$ 48,232
Interest	1,500	1,500	(65)	(1,565)
Miscellaneous	7,200	9,850	16,276	6,426
TOTAL REVENUES	313,700	316,350	369,443	53,093
EXPENDITURES				
Highways and streets	232,913	298,063	252,180	45,883
REVENUES OVER EXPENDITURES	80,787	18,287	117,263	98,976
OTHER FINANCING SOURCES (USES)				
Transfers in	-	62,500	62,500	-
Transfers (out)	(241,568)	(241,568)	(241,568)	-
TOTAL OTHER FINANCING SOURCES (USES)	(241,568)	(179,068)	(179,068)	-
NET CHANGE IN FUND BALANCES	(160,781)	(160,781)	(61,805)	98,976
FUND BALANCES - BEGINNING OF YEAR	169,311	169,311	169,311	-
FUND BALANCES - END OF YEAR	\$ 8,530	\$ 8,530	\$ 107,506	\$ 98,976

The accompanying notes are an integral part of these financial statements.

**CITY OF HUDSONVILLE**

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS**

**JUNE 30, 2004**

<u>ASSETS</u>	<u>BUSINESS-TYPE ACTIVITIES</u>			<u>GOVERNMENTAL</u>
	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>	<u>ACTIVITIES</u>
	<u>DISPOSAL</u>	<u>WORKS</u>		<u>INTERNAL</u>
				<u>SERVICE</u>
				<u>FUNDS</u>
<b>CURRENT ASSETS</b>				
Cash and pooled investments	\$ 477,848	\$ 657,028	\$ 1,134,876	\$ 877,689
Restricted cash and pooled investments	19,056	32,939	51,995	-
Accounts receivable	152,961	135,877	288,838	-
Due from other funds	-	-	-	26,502
Interest receivable	4,698	7,542	12,240	9,582
Special assessments receivable	-	1,217	1,217	-
Deposits	-	-	-	2,400
Inventory	15,854	22,061	37,915	-
<b>TOTAL CURRENT ASSETS</b>	<b>670,417</b>	<b>856,664</b>	<b>1,527,081</b>	<b>916,173</b>
<b>LONG-TERM ASSETS</b>				
Advance to Component Unit	60,170	-	60,170	-
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Sanitary sewer system	5,430,977	-	5,430,977	-
Water system	-	4,489,047	4,489,047	-
Property and equipment	-	-	-	1,665,821
	5,430,977	4,489,047	9,920,024	1,665,821
Less: Accumulated depreciation	2,467,410	1,751,170	4,218,580	784,624
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<b>2,963,567</b>	<b>2,737,877</b>	<b>5,701,444</b>	<b>881,197</b>
<b><u>TOTAL ASSETS</u></b>	<b>3,694,154</b>	<b>3,594,541</b>	<b>7,288,695</b>	<b>1,797,370</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	40,375	53,212	93,587	9,450
Accrued interest	7,171	797	7,968	-
Accrued wages	1,485	2,499	3,984	836
Current portion of bonds payable	35,000	20,000	55,000	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>84,031</b>	<b>76,508</b>	<b>160,539</b>	<b>10,286</b>
<b>LONG-TERM LIABILITIES</b>				
Bonds payable	451,436	558,328	1,009,764	-
<b>TOTAL LIABILITIES</b>	<b>535,467</b>	<b>634,836</b>	<b>1,170,303</b>	<b>10,286</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,477,131	2,159,549	4,636,680	881,197
Unrestricted	681,556	800,156	1,481,712	905,887
<b>TOTAL NET ASSETS</b>	<b>\$ 3,158,687</b>	<b>\$ 2,959,705</b>	<b>\$ 6,118,392</b>	<b>\$ 1,787,084</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF HUDSONVILLE**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2004**

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL ACTIVITIES
	SEWER DISPOSAL	WATER WORKS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES				
Fees	\$ 33,957	\$ 36,018	\$ 69,975	\$ -
Charges for services	632,605	599,832	1,232,437	932,485
Miscellaneous	5,734	285	6,019	-
<b>TOTAL OPERATING REVENUES</b>	<b>672,296</b>	<b>636,135</b>	<b>1,308,431</b>	<b>932,485</b>
OPERATING EXPENSES				
Disposal costs	455,247	-	455,247	-
Water purchases	-	194,644	194,644	-
Personnel services	70,323	123,356	193,679	504,297
Professional and contractual services	21,501	264,020	285,521	238,090
Supplies and materials	1,597	5,467	7,064	32,445
Utilities	10,897	8,312	19,209	-
Repairs and maintenance	257	23,235	23,492	36,900
Equipment rental	4,017	27,144	31,161	-
Depreciation	113,634	88,410	202,044	95,777
Miscellaneous	534	16,936	17,470	4,666
<b>TOTAL OPERATING EXPENSES</b>	<b>678,007</b>	<b>751,524</b>	<b>1,429,531</b>	<b>912,175</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(5,711)</b>	<b>(115,389)</b>	<b>(121,100)</b>	<b>20,310</b>
NONOPERATING REVENUES (EXPENSES)				
Interest income	13,691	10,851	24,542	15,175
Interest expense	(22,647)	(17,119)	(39,766)	(3,675)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(8,956)</b>	<b>(6,268)</b>	<b>(15,224)</b>	<b>11,500</b>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(14,667)</b>	<b>(121,657)</b>	<b>(136,324)</b>	<b>31,810</b>
TRANSFERS				
Transfers in	45,767	45,767	91,534	17,186
<b>NET INCOME (LOSS)</b>	<b>31,100</b>	<b>(75,890)</b>	<b>(44,790)</b>	<b>48,996</b>
<b>RETAINED EARNINGS- BEGINNING OF YEAR</b>	<b>3,127,587</b>	<b>3,035,595</b>	<b>6,163,182</b>	<b>1,738,088</b>
<b>RETAINED EARNINGS - END OF YEAR</b>	<b>\$ 3,158,687</b>	<b>\$ 2,959,705</b>	<b>\$ 6,118,392</b>	<b>\$ 1,787,084</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF HUDSONVILLE**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2004**

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL ACTIVITIES
	SEWER DISPOSAL	WATER WORKS	TOTAL	INTERNAL SERVICE FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 716,606	\$ 620,447	\$ 1,337,053	\$ -
Receipts from interfund services	-	-	-	932,485
Payments to vendors	(544,908)	(566,635)	(1,111,543)	(312,128)
Payments to employees	(70,323)	(123,356)	(193,679)	(504,126)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>101,375</b>	<b>(69,544)</b>	<b>31,831</b>	<b>116,231</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers in	45,767	45,767	91,534	17,186
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Advance to Component Unit	(29,263)	-	(29,263)	-
Acquisitions of capital assets	-	(40,239)	(40,239)	(17,181)
Principal paid on long-term debt	(30,000)	(40,000)	(70,000)	(53,192)
Amortization of bond discount (premium)	704	(2,560)	(1,856)	-
Interest paid on long-term debt	(25,560)	(17,454)	(43,014)	(3,675)
<b>NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(84,119)</b>	<b>(100,253)</b>	<b>(184,372)</b>	<b>(74,048)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	13,069	12,515	25,584	14,861
<b>NET INCREASE IN CASH AND POOLED INVESTMENTS</b>	<b>76,092</b>	<b>(111,515)</b>	<b>(35,423)</b>	<b>74,230</b>
<b>CASH AND POOLED INVESTMENTS - BEGINNING OF YEAR</b>	<b>420,812</b>	<b>801,482</b>	<b>1,222,294</b>	<b>803,459</b>
<b>CASH AND POOLED INVESTMENTS - END OF YEAR</b>	<b>\$ 496,904</b>	<b>\$ 689,967</b>	<b>\$ 1,186,871</b>	<b>\$ 877,689</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (5,711)	\$ (115,389)	\$ (121,100)	20,310
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	113,634	88,410	202,044	95,777
Changes in operating assets and liabilities which provided (used) cash:				
Receivables	34,621	(15,431)	19,190	0
Special assessments receivable	690	(257)	433	0
Inventory	(15,854)	(7,229)	(23,083)	0
Accounts payable	(26,441)	(20,175)	(46,616)	(27)
Other accrued liabilities	436	527	963	171
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ 101,375</b>	<b>\$ (69,544)</b>	<b>\$ 31,831</b>	<b>\$ 116,231</b>

The accompanying notes are an integral part of these financial statements.

*CITY OF HUDSONVILLE*  
*FIDUCIARY FUNDS*  
*STATEMENT OF NET ASSETS*

*JUNE 30, 2004*

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and pooled investments	<u>\$ 73,337</u>
<u>LIABILITIES</u>	
Accounts payable	<u>\$ 73,337</u>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**



**CITY OF HUDSONVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Hudsonville (the "City") was incorporated November 5, 1957, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Commission-Manager form of government and provides the following services: Public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles, except as described below, as applicable to governments. The following is a summary of the more significant policies.

***The Reporting Entity***

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

***Blended Component Unit***

The Hudsonville Building Authority – The members of the governing board of the Building Authority are appointed by the City Commission. The City has significant influence over operations of the building authority and also is accountable for its fiscal matters.

***Discretely Presented Component Units***

Tax Increment Finance Authority – The members of the governing board of the Tax Increment Finance Authority are appointed by the City Council. The budgets and expenditures of the Tax Increment Finance Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Tax Increment Finance Authority.

Local Development Finance Authority – The members of the governing board of the Local Development Finance Authority are appointed by the City Council. The budgets and expenditures of the Local Development Finance Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Local Development Finance Authority.

Downtown Development Authority – The members of the governing board of the Downtown Development Authority are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

Complete financial statements for the component units are not separately prepared.

# CITY OF HUDSONVILLE

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of each year, the delinquent real property taxes are paid by the City to other units of government and the County is responsible for collecting any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and accrued employee benefit expenditures are recorded only when payment is due.

**CITY OF HUDSONVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

*The General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*The Major Streets Fund* accounts for gas tax revenue received from the State which may be used for construction and maintenance of major streets within the City limits.

*The 1999 Special Assessment Bonds Debt Service* fund accounts for the accumulation of resources and payments made for principle and interest on the 1999 special assessment bonds.

The City reports the following major proprietary funds:

*Sewer Disposal Fund* – This fund is used to account for the cost of collecting and treating wastewater. Revenues are chiefly from service charges to customers. These revenues are also used to pay principal and interest on revenue bonds and general obligation bonds which were used to finance improvements to the system.

*Water Works Fund* – The cost of providing water services to City residents is accounted for by this fund. Revenues are primarily from charges to customers for water usage. These revenues are used to pay operating costs and principal and interest on revenue bonds and general obligation bonds which were used to finance improvements to the system.

Additionally, the City reports the following fund types:

*Special Revenue Funds* are used to account for revenue from specific revenue (other than major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

*The Debt Service Funds* accounts for the resources accumulated and payments made for principal and interest on long term debt of governmental funds.

*The Capital Projects Funds* account for the accumulation and disbursement of resources for the construction of City capital projects.

*The Internal Service Funds* are used to account for financing of goods or services provided by the City to other departments or funds to other governmental units on a cost reimbursement basis.

*Agency Funds* are used to account for assets held on behalf of outside parties, including other governments.

**CITY OF HUDSONVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***Budgets and Budgetary Accounting***

Budgets are adopted for general and special revenue funds on a basis consistent with generally accepted accounting principles (GAAP). The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except Trust and Agency Funds.
5. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed for the year ended June 30, 2004. Expenditures may not exceed appropriations. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
6. Budgets for expenditures are adopted at the functional level.
7. Budgeted amounts are as originally adopted, or as amended by the City Council.

**CITY OF HUDSONVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Cash and Pooled Investments***

For purposes of the statement of cash flows, the City considers all assets held in highly liquid investments with an original maturity of three months or less to be cash and temporary investments.

***Receivables***

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

***Special Assessments***

Special assessments are recorded as revenue when due, not when levied. Estimated annual installments not yet available are reflected as deferred revenue. Special assessments are billed annually.

***Pensions***

The provision for pension cost is recorded on an annual basis and the City's policy is to fund pension costs as they accrue.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities column in the government-wide financial statements. The capitalization threshold is \$5,000. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) of the primary government, as well as the component units, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building	50
Machinery and equipment	3 - 35
Water/sewer system	5 - 50

**CITY OF HUDSONVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Long-term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Property Taxes***

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before August 15, and winter taxes are levied on December 1 and are due without penalty on or before February 14. The City bills and collects its own property taxes for general governmental services, road, and debt retirement. Additionally, the City collects taxes for Ottawa County and various school districts. Collections of property taxes and remittances to the appropriate authorities are accounted for in the Trust and Agency Fund.

***Local Development Finance Authority Notes Payable***

Notes payable consist of an amount due to the developer of the Local Development Finance Authority (LFDA) district. This amount is paid with tax captures within the LFDA district. The notes payable include interest at 7% and are recorded in the long-term liabilities of the Local Development Finance Authority.

***Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

***Accrued Vacation and Sick Leave***

Under terms of City policies, employees are granted sick leave at the rate of .83 days per month. Unused sick leave may accumulate up to 80 hours (depending on their bargaining unit). Employees are granted vacation time in varying amounts based on length of service. Employees must use their vacation each year.

Accumulated unpaid sick leave is recorded on the statement of net assets. Current portions of unpaid sick leave are considered immaterial.

**CITY OF HUDSONVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Interfund Transactions*

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the City.

*Risk Management*

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2004, the City carried commercial insurance to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. There was no significant change in coverage during the year.

**2. DEFICIT FUND EQUITY**

At June 30, 2004, the City had deficit fund nets assets in the following funds and component units:

Component Units	
Local Development Finance Authority	\$(315,453)
Tax Increment Finance Authority	(1,208,220)
Capital Projects Funds	
Sidewalk	(11,052)
Library Expansion	(2,694)

Management plans to eliminate the deficit fund balances through the recognition of revenues in subsequent years.

**3. DEPOSITS AND INVESTMENTS**

The captions on the government-wide and fund statements relating to cash and temporary investments and investments are as follows:

Deposits:

	Primary Government	Component Units	Fiduciary Funds	Total
Cash and temporary investments	\$3,349,767	\$634,981	\$73,337	\$4,058,085
Restricted cash and pooled investments	67,728	-	-	67,728
Total cash and pooled investments	<u>\$3,417,495</u>	<u>\$634,981</u>	<u>\$73,337</u>	<u>\$4,125,813</u>

**CITY OF HUDSONVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**3. DEPOSITS AND INVESTMENTS (CONTINUED)**

The carrying amount of deposits at June 30, 2004 was \$4,125,813 and the bank balance is as follows:

	<b>Bank Balance</b>
Insured (FDIC)	\$ 781,663
Uninsured, uncollateralized	3,363,761
<b>Total</b>	<b><u>\$4,145,424</u></b>

These deposits are in eight (8) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. Deposits and investments are recorded in City records at fair value.

**Statutory Authority**

State statutes authorize the City to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

**4. CAPITAL ASSETS**

Changes in capital assets for the year ending June 30, 2004, are as follows:

	<b>Balance July 1, 2003</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance June 30, 2004</b>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 3,059,582	\$ -	\$ -	\$ 3,059,582
Capital assets, being depreciated:				
Land improvements	616,941	74,867	-	691,808
Buildings	3,708,834	-	-	3,708,834
Machinery and equipment	1,985,916	17,181	-	2,003,097
Office furniture and equipment	580,139	18,975	-	599,114
<b>Total capital assets, being depreciated</b>	<b><u>6,891,830</u></b>	<b><u>111,023</u></b>	<b><u>-</u></b>	<b><u>7,002,853</u></b>



# CITY OF HUDSONVILLE

## NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2004**

### 4. CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2003	Additions	Dispositions	Balance June 30, 2004
Less accumulated depreciation for:				
Land improvements	\$ 246,636	\$ 14,323	\$ -	\$ 260,959
Buildings	804,887	72,342	-	877,229
Machinery and equipment	807,351	114,441	-	921,792
Office furniture and equipment	539,956	10,077	-	550,033
Total accumulated depreciation	2,398,830	211,183	-	2,610,013
Net capital assets, being depreciated	4,493,000	(100,160)	-	4,392,840
Net governmental activities capital assets	\$7,552,582	\$(100,160)	\$ -	\$7,452,422
<b>Business-type activities</b>				
Capital assets being depreciated:				
Water system	\$4,448,808	\$40,239	\$ -	\$4,489,047
Sewer system	5,430,977	-	-	5,430,977
Accumulated depreciation	(4,016,536)	(202,044)	-	(4,218,580)
Net business-type activities capital assets	\$5,863,249	\$(161,805)	\$ -	\$5,701,444

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 46,163
Public safety	89,550
Public works	40,849
Recreation and cultural	17,311
Streets	17,310
Total depreciation expense – governmental activities	\$211,183
Business-type activities:	
Sewer	\$113,634
Water	88,410
Total depreciation expense – business type activities	\$202,044

### 5. INTERFUND RECEIVABLES AND PAYABLES

	Due From Other Funds	Due to Other Funds
General Fund	\$13,012	\$ -
Capital Projects Funds		
Sidewalk		26,502
Library Expansion		13,012
Internal Service Funds		
Motor Pool	26,502	-
	\$39,514	\$39,514

# CITY OF HUDSONVILLE

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

### 5. INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Interfund balances primarily reflect loans made from funds with cash and cash equivalents to those funds requiring temporary cash flow needs.

### 6. INTERFUND TRANSFERS

The composition of transfers for the year ended June 30, 2004, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 1,169	\$ 34,906
Major Street	62,500	241,568
Nonmajor	779,128	175,043
Proprietary Funds:		
Sewer	45,767	-
Water	45,767	-
Internal Service	17,186	-
<b>Total</b>	<b>\$ 951,517</b>	<b>\$ 951,517</b>

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

### 7. DEFINED BENEFIT PENSION PLAN

#### *Municipal Employees Retirement System of Michigan*

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death and disability benefits covering full-time City employees. The System is administered by the MERS retirement board. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 North Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

The City is required to contribute at an actuarially determined rate; the current rate varies by employment group from 7.9 to 12.8 of annual covered payroll. Participating employees are not required to contribute to the Plan. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City depending on the MERS contribution program adoption by the City.

**CITY OF HUDSONVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**7. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

For the year ended June 30, 2004 the City's annual pension cost for MERS of \$78,417 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment of 20% of the difference between assumed earnings and market value (5 year seniority) to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

**Three-Year Trend Information**

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2002	\$60,047	100%	\$ -
2003	74,722	100%	-
2004	78,417	100%	-

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAI.) (b-a)</u>	<u>Funded Ratio Total</u>	<u>Covered Payroll (c)</u>	<u>UAAI as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/01	\$1,070,434	\$1,897,071	\$ 826,637	56%	\$507,647	163%
12/31/02	1,116,791	2,073,442	956,651	54%	485,577	197%
12/31/03	1,127,102	2,151,206	1,024,104	52%	498,021	206%

**8. DEFINED CONTRIBUTION PLAN**

The City of Hudsonville Governmental Money Purchase Plan and trust is a defined contribution retirement plan administered by the Michigan Municipal Employees Retirement System. This Plan provides benefits at retirement to all new City employees and employees requesting conversion to the Plan during the appropriate conversion window. The City is required to contribute up to 13% of employee covered payroll depending on employee bargaining unit and employee contributions. Employees are required to contribute 2% of covered payroll with a 100% match of employee contributions paid by the City. Plan provisions and contribution requirements are established and may be amended by the City of Hudsonville City Commission. During the current year the City contributed \$93,239 while participants contributed \$16,462.

**CITY OF HUDSONVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**9. LONG-TERM DEBT**

The following is a summary of debt transactions of the City for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due Within One Year
<b>Governmental activities</b>					
5.0% - 7.0% Michigan Transportation Bonds, Series 1990	\$ 80,000	\$ -	\$ (40,000)	\$ 40,000	\$ 40,000
4.75% - 5.0% Special Assessment Bonds, Series 1999	150,000	-	(15,000)	135,000	15,000
3.95% - 5.0% Public Improvement City GO Bonds, Series 1999	160,000	-	(10,000)	150,000	10,000
4.1% - 5.35% Hudsonville Building Authority Bonds	4,465,000	-	(155,000)	4,310,000	170,000
4.25% - 7.25% Michigan Transportation Bonds, Series 2001	460,000	-	(50,000)	410,000	50,000
3.97% Installment Purchase Contract, 2001	579,929	-	(63,006)	516,923	65,507
Lease payable to Ford Motor credit, secured by related vehicles payable through July 2003 annually in installments of \$35,727, including interest at 6.45%	33,336	-	(33,336)	-	-
Lease payable to Ford Motor credit, by related vehicles payable through July 2003 annually in installments of \$21,137, including interest at 6.45%	19,856	-	(19,856)	-	-
Accrued Employee Benefits	153,810		(37,303)	116,507	-
<b>Total governmental activities</b>	<b>6,101,931</b>	<b>-</b>	<b>(423,501)</b>	<b>5,678,430</b>	<b>350,507</b>

**CITY OF HUDSONVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**9. LONG-TERM DEBT (CONTINUED)**

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
<b>Business-type activities</b>					
4.0% - 5.2% Water Supply and Sewage Disposal System Revenue Bonds Series 1999	\$ 675,000	\$ -	\$ -	\$ 675,000	\$ 35,000
2.5% Drinking Water Revolving Fund, Series 1999	415,000	-	(20,000)	395,000	20,000
5.0% - 7.0% Water Supply and Sewage Disposal System Revenue Bonds, Series 1990	50,000	-	(50,000)	-	-
Net Premium/Discount	(3,380)	-	(1,856)	(5,236)	-
<b>Total business-type activities</b>	<b>1,136,620</b>	<b>-</b>	<b>(66,620)</b>	<b>1,064,764</b>	<b>55,000</b>
<b>Component Unit</b>					
5.5% - 7.0% Downtown Development Series 1991	675,000	-	(75,000)	600,000	75,000
7.0% Local Development Finance Authority Notes Payable	397,937	-	(145,718)	252,219	166,349
5.5% - 8.5% General Obligation Limited	1,240,000	-	(45,000)	1,195,000	65,000
<b>Total Component Unit Debt</b>	<b>2,312,937</b>	<b>-</b>	<b>(265,718)</b>	<b>2,047,219</b>	<b>306,349</b>
<b>Total long-term debt - reporting entity</b>	<b>\$9,551,488</b>	<b>\$ -</b>	<b>\$(761,075)</b>	<b>\$8,790,413</b>	<b>\$711,856</b>

The annual requirements, excluding accrued employee benefits and unamortized discounts, to maturity on the total long-term obligations outstanding at June 30, 2004 are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 350,507	\$ 227,971	\$ 55,000	\$ 41,870	\$ 306,349	\$125,550
2006	338,108	217,768	55,000	39,970	250,870	105,886
2007	365,812	207,289	60,000	38,115	185,000	92,648
2008	393,623	195,643	60,000	36,020	215,000	80,605
2009	416,545	182,828	65,000	33,890	225,000	66,590
2010-2014	2,067,328	672,237	350,000	131,235	865,000	152,165
2015-2019	1,630,000	167,237	425,000	55,175	-	-
	<b>\$5,561,923</b>	<b>\$1,871,574</b>	<b>\$1,070,000</b>	<b>\$376,275</b>	<b>\$2,047,219</b>	<b>\$623,444</b>

**CITY OF HUDSONVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**10. LITIGATION**

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City and, therefore, has not reflected loss reserves in the financial statements.

**11. RESTATEMENTS**

As of and for the year ended June 30, 2004, the City implemented the following Governmental Accounting Standards Board pronouncements:

*Statements*

- No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

*Interpretation*

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The City is required to implement the new requirements no later than the fiscal year ending June 30, 2004.

The more significant of the changes required by the new standards are basic financial statements that include:

- Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
- Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
- Schedules to reconcile the fund financial statements to the government-wide financial statements;
- Budgetary statements and schedules;
- Notes to the basic financial statements

**CITY OF HUDSONVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**11. RESTATEMENTS (CONTINUED)**

As a result of implementing these pronouncements for the fiscal year ended June 30, 2003 the following restatements were made to beginning net asset accounts.

*Government-wide financial statements*

Beginning net assets for governmental activities was determined as follows:

Fund balance of governmental funds as of June 30, 2003	\$1,274,796
Add: Property, plant, and equipment	6,592,790
Add: Deferred revenue on special assessments	84,713
Less: Accrued employee benefits	(153,810)
Less: Accrued interest	(68,639)
Less: Long-term debt	(5,894,929)
Add: Net assets of internal service funds	<u>1,738,088</u>
<b>Net assets, July 1, 2003</b>	<b><u>\$3,573,009</u></b>

Beginning net assets for the Tax Increment Finance Authority was determined as follows:

Fund balance of Tax Increment Finance Authority as of June 30, 2003	\$406,922
Less: Debt	(1,915,000)
Less: Accrued interest	<u>(22,644)</u>
<b>Net assets (deficit), July 1, 2003</b>	<b><u>\$(1,530,722)</u></b>

Beginning net assets for the Local Development Finance Authority was determined as follows:

Fund balance of Local Development Finance Authority as of June 30, 2003	\$(485,885)
Less: Accrued interest	<u>(7,212)</u>
<b>Net assets (deficit), July 1, 2003</b>	<b><u>\$(493,097)</u></b>

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**



## **NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF HUDSONVILLE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2004

	SPECIAL REVENUE				DEBT SERVICE	
	LOCAL STREET	LIBRARY	PUBLIC SAFETY	COMMUNITY POLICING	1999 G.O. DEBT SERVICE	1990 MAJOR STREET DEBT SERVICE
<u>ASSETS</u>						
Cash and pooled investments	\$ 58,740	\$ 32,533	\$ 6,924	\$ 1,848	\$ 199	\$ 88
Restricted cash and pooled investments	-	15,733	-	-	-	-
Due from state	20,000	-	-	-	-	-
Accounts receivable	-	31,530	-	-	-	-
Special assessments receivable	-	-	-	-	-	-
Interest receivable	650	359	45	21	2	-
<b>TOTAL ASSETS</b>	<b>\$ 79,390</b>	<b>\$ 80,155</b>	<b>\$ 6,969</b>	<b>\$ 1,869</b>	<b>\$ 201</b>	<b>\$ 88</b>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>LIABILITIES</u>						
Accounts payable	67	13,318	-	423	-	-
Accrued wages payable	1,889	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>1,956</b>	<b>13,318</b>	<b>-</b>	<b>423</b>	<b>-</b>	<b>-</b>
<u>FUND BALANCES (DEFICIT)</u>						
Reserved	-	15,733	-	-	-	-
Unreserved - undesignated	77,434	51,104	6,969	1,446	201	88
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>77,434</b>	<b>66,837</b>	<b>6,969</b>	<b>1,446</b>	<b>201</b>	<b>88</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<b>\$ 79,390</b>	<b>\$ 80,155</b>	<b>\$ 6,969</b>	<b>\$ 1,869</b>	<b>\$ 201</b>	<b>\$ 88</b>

DEBT SERVICE				CAPITAL PROJECTS			
LIBRARY CONSTRUCTION DEBT SERVICE	2001 STREET IMPROVEMENT DEBT SERVICE	LEASE PURCHASE DEBT SERVICE	HUDSONVILLE BUILDING AUTHORITY DEBT SERVICE	PUBLIC IMPROVEMENT	HIGHLAND DRIVE EAST	WATER	SIDEWALK
\$ 471	\$ 1,604	\$ 42,052	\$ 11,146	\$ 22,231	\$ 5,019	\$ 1,258	\$ 16,012
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,602	13,342
5	18	470	124	247	33	14	178
\$ 476	\$ 1,622	\$ 42,522	\$ 11,270	\$ 22,478	\$ 5,052	\$ 2,874	\$ 29,532
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,604	14,082
-	-	-	-	-	-	-	26,502
-	-	-	-	-	-	1,604	40,584
-	-	-	-	-	-	-	-
476	1,622	42,522	11,270	22,478	5,052	1,270	(11,052)
476	1,622	42,522	11,270	22,478	5,052	1,270	(11,052)
\$ 476	\$ 1,622	\$ 42,522	\$ 11,270	\$ 22,478	\$ 5,052	\$ 2,874	\$ 29,532

(Continued)

**CITY OF HUDSONVILLE**  
**COMBINING BALANCE SHEET (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2004

	CAPITAL PROJECTS					TOTALS
	FACILITY IMPROVEMENTS ADA	NEW HOLLAND BIKE PATH	NEW HOLLAND SANITARY/ SIDEWALK	HILLSIDE PARK DEVELOPMENT	LIBRARY EXPANSION	
<u>ASSETS</u>						
Cash and pooled investments	\$ 933	\$ 3,920	\$ 10,649	\$ 85	\$ 10,211	\$ 225,923
Restricted cash and pooled investments	-	-	-	-	-	15,733
Due from state	-	-	-	-	-	20,000
Accounts receivable	-	-	-	-	-	31,530
Special assessments receivable	-	-	1,821	-	-	16,765
Interest receivable	7	43	118	-	107	2,441
<u>TOTAL ASSETS</u>	<u>\$ 940</u>	<u>\$ 3,963</u>	<u>\$ 12,588</u>	<u>\$ 85</u>	<u>\$ 10,318</u>	<u>\$ 312,392</u>
<u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES						
Accounts payable	-	-	-	-	-	13,808
Accrued wages payable	-	-	-	-	-	1,889
Deferred revenue	-	-	1,824	-	-	17,510
Due to other funds	-	-	-	-	13,012	39,514
<u>TOTAL LIABILITIES</u>	<u>-</u>	<u>-</u>	<u>1,824</u>	<u>-</u>	<u>13,012</u>	<u>72,721</u>
FUND BALANCES (DEFICIT)						
Reserved	-	-	-	-	-	15,733
Unreserved - undesignated	940	3,963	10,764	85	(2,694)	223,938
<u>TOTAL FUND BALANCES (DEFICIT)</u>	<u>940</u>	<u>3,963</u>	<u>10,764</u>	<u>85</u>	<u>(2,694)</u>	<u>239,671</u>
<u>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</u>	<u>\$ 940</u>	<u>\$ 3,963</u>	<u>\$ 12,588</u>	<u>\$ 85</u>	<u>\$ 10,318</u>	<u>\$ 312,392</u>

(Concluded)

**CITY OF HUDSONVILLE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2004**

	SPECIAL REVENUE				DEBT SERVICE	
	LOCAL STREET	LIBRARY	PUBLIC SAFETY	COMMUNITY POLICING	1999 G.O. DEBT SERVICE	1990 MAJOR STREET DEBT SERVICE
REVENUES						
Taxes	\$ -	\$ 185,440	\$ -	\$ -	\$ -	\$ -
Special assessment revenue	-	-	-	-	-	-
Intergovernmental						
State	125,334	7,899	1,661	-	-	-
Federal	1,530	-	-	-	-	-
Charges for services	-	52,454	-	-	-	-
Interest	1,140	2,286	87	25	141	11
Miscellaneous	12,240	26,166	4,075	5,501	-	-
<b>TOTAL REVENUES</b>	<b>140,244</b>	<b>274,245</b>	<b>5,823</b>	<b>5,526</b>	<b>141</b>	<b>11</b>
EXPENDITURES						
Current						
Highways and streets	151,644	-	-	-	-	-
Culture and recreation	-	262,121	829	-	-	-
Public safety	-	-	4,776	5,166	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	10,000	40,000
Interest and fiscal charges	-	-	-	-	7,628	3,525
<b>TOTAL EXPENDITURES</b>	<b>151,644</b>	<b>262,121</b>	<b>5,605</b>	<b>5,166</b>	<b>17,628</b>	<b>43,525</b>
REVENUES OVER (UNDER) EXPENDITURES	(11,400)	12,124	218	360	(17,487)	(43,514)
OTHER FINANCING SOURCES (USES)						
Transfers in	48,000	-	-	727	17,650	43,600
Transfers (out)	(6,323)	-	(1,169)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>41,677</b>	<b>-</b>	<b>(1,169)</b>	<b>727</b>	<b>17,650</b>	<b>43,600</b>
NET CHANGES IN FUND BALANCES	30,277	12,124	(951)	1,087	163	86
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	47,157	54,713	7,920	359	38	2
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<b>\$ 77,434</b>	<b>\$ 66,837</b>	<b>\$ 6,969</b>	<b>\$ 1,446</b>	<b>\$ 201</b>	<b>\$ 88</b>

DEBT SERVICE				CAPITAL PROJECTS			
LIBRARY CONSTRUCTION DEBT SERVICE	2001 STREET IMPROVEMENT DEBT SERVICE	LEASE PURCHASE DEBT SERVICE	HUDSONVILLE BUILDING AUTHORITY DEBT SERVICE	PUBLIC IMPROVEMENT	HIGHLAND DRIVE EAST	WATER	SIDEWALK
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 399	\$ 1,441
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
243	621	1,477	1,036	880	52	222	1,589
-	-	-	-	60	-	-	-
243	621	1,477	1,036	940	52	621	3,030
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	38,108	-	-	-
40,000	50,000	63,006	115,000	-	-	-	-
47,716	20,061	23,023	172,930	-	-	-	-
87,716	70,061	86,029	287,930	38,108	-	-	-
(87,473)	(69,440)	(84,552)	(286,894)	(37,168)	52	621	3,030
87,865	70,261	86,030	288,405	127,899	-	-	8,691
-	-	-	-	(79,686)	-	-	-
87,865	70,261	86,030	288,405	48,213	-	-	8,691
392	821	1,478	1,511	11,045	52	621	11,721
84	801	41,044	9,759	11,433	5,000	649	(22,773)
\$ 476	\$ 1,622	\$ 42,522	\$ 11,270	\$ 22,478	\$ 5,052	\$ 1,270	\$ (11,052)

(Continued)

**CITY OF HUDSONVILLE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	CAPITAL PROJECTS					
	FACILITY IMPROVEMENTS	NEW HOLLAND	NEW HOLLAND	HILLSIDE	LIBRARY	
	ADA	BIKE PATH	SANITARY/ SIDEWALK	PARK DEVELOPMENT	EXPANSION	TOTALS
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 136,119	\$ 321,559
Special assessment revenue	-	-	1,817	-	-	3,657
Intergovernmental						134,894
State	-	-	-	-	-	1,530
Federal	-	-	-	-	-	52,454
Charges for services	-	-	-	-	-	10,945
Interest	12	67	339	-	717	10,945
Miscellaneous	-	-	-	-	391	48,433
TOTAL REVENUES	12	67	2,156	-	137,227	573,472
EXPENDITURES						
Current						151,644
Highways and streets	-	-	-	-	-	262,950
Culture and recreation	-	-	-	-	-	9,942
Public safety	-	-	-	-	-	38,108
Capital outlay	-	-	-	-	-	-
Debt service:						318,006
Principal retirement	-	-	-	-	-	274,883
Interest and fiscal charges	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	-	1,055,533
REVENUES OVER (UNDER) EXPENDITURES	12	67	2,156	-	137,227	(482,061)
OTHER FINANCING SOURCES (USES)						779,128
Transfers in	-	-	-	-	-	(175,043)
Transfers (out)	-	-	-	-	(87,865)	(87,865)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	(87,865)	604,085
NET CHANGES IN FUND BALANCES	12	67	2,156	-	49,362	122,024
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	928	3,896	8,608	85	(52,056)	117,647
FUND BALANCES (DEFICIT), END OF YEAR	\$ 940	\$ 3,963	\$ 10,764	\$ 85	\$ (2,694)	\$ 239,671

(Concluded)

## **INTERNAL SERVICE FUNDS**



**CITY OF HUDSONVILLE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

<u>ASSETS</u>	MOTOR POOL	COMPENSATED ABSENCES	FIRE EQUIPMENT FUND	INSURANCE	TOTAL
CURRENT ASSETS					
Cash and pooled investments	\$ 840,205	\$ 13,186	\$ 4	\$ 24,294	\$ 877,689
Due from other funds	26,502	-	-	-	26,502
Interest receivable	9,324	-	-	258	9,582
Deposit	-	-	-	2,400	2,400
TOTAL CURRENT ASSETS	876,031	13,186	4	26,952	916,173
PROPERTY, PLANT AND EQUIPMENT					
Property and equipment	1,271,106	-	394,715	-	1,665,821
Less: Accumulated depreciation	725,416	-	59,208	-	784,624
NET PROPERTY, PLANT AND EQUIPMENT	545,690	-	335,507	-	881,197
<u>TOTAL ASSETS</u>	<u>1,421,721</u>	<u>13,186</u>	<u>335,511</u>	<u>26,952</u>	<u>1,797,370</u>
<u>LIABILITIES AND FUND EQUITY</u>					
LIABILITIES					
Accounts payable	2,187	7,263	-	-	9,450
Accrued wages payable	836	-	-	-	836
TOTAL LIABILITIES	3,023	7,263	-	-	10,286
NET ASSETS					
Invested in capital assets, net of related debt	545,690	-	335,507	-	881,197
Unrestricted	873,008	5,923	4	26,952	905,887
TOTAL NET ASSETS	\$ 1,418,698	\$ 5,923	\$ 335,511	\$ 26,952	\$ 1,787,084

**CITY OF HUDSONVILLE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2004**

	MOTOR POOL	COMPENSATED ABSENCES	FIRE EQUIPMENT FUND	INSURANCE	TOTAL
OPERATING REVENUES					
Charges for services	\$ 243,025	\$ 689,460	\$ -	\$ -	\$ 932,485
TOTAL OPERATING REVENUES	243,025	689,460	-	-	932,485
OPERATING EXPENSES					
Personnel services	40,578	463,719	-	-	504,297
Insurance	17,317	220,773	-	-	238,090
Supplies and materials	32,445	-	-	-	32,445
Repairs and maintenance	36,900	-	-	-	36,900
Depreciation	76,041	-	19,736	-	95,777
Miscellaneous	4,666	-	-	-	4,666
TOTAL OPERATING EXPENSES	207,947	684,492	19,736	-	912,175
OPERATING INCOME (LOSS)	35,078	4,968	(19,736)	-	20,310
NONOPERATING REVENUES (EXPENSES)					
Interest income	14,884	(118)	-	409	15,175
Interest expense	(3,675)	-	-	-	(3,675)
TOTAL NONOPERATING REVENUES (EXPENSES)	11,209	(118)	-	409	11,500
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	46,287	4,850	(19,736)	409	31,810
TRANSFERS					
Transfers in	17,186	-	-	-	17,186
TOTAL TRANSFERS	17,186	-	-	-	17,186
CHANGES IN NET ASSETS	63,473	4,850	(19,736)	409	48,996
NET ASSETS - BEGINNING OF YEAR	1,355,225	1,073	355,247	26,543	1,738,088
NET ASSETS - END OF YEAR	\$ 1,418,698	\$ 5,923	\$ 335,511	\$ 26,952	\$ 1,787,084

**CITY OF HUDSONVILLE**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	MOTOR POOL	COMPENSATED ABSENCES	FIRE EQUIPMENT FUND	INSURANCE	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from interfund services	\$ 243,025	\$ 689,460	\$ -	\$ -	932,485
Payments to vendors	(89,477)	(222,651)	-	-	(312,128)
Payments to employees	(40,407)	(463,719)	-	-	(504,126)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>113,141</b>	<b>3,090</b>	<b>-</b>	<b>-</b>	<b>116,231</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	17,186	-	-	-	17,186
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisitions of capital assets	(17,181)	-	-	-	(17,181)
Interest paid on long-term debt	(3,675)	-	-	-	(3,675)
Principal paid on long-term debt	(53,192)	-	-	-	(53,192)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(74,048)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(74,048)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest income	14,446	-	-	415	14,861
<b>NET INCREASE IN CASH AND POOLED INVESTMENTS</b>	<b>70,725</b>	<b>3,090</b>	<b>-</b>	<b>415</b>	<b>74,230</b>
<b>CASH AND POOLED INVESTMENTS - BEGINNING OF YEAR</b>	<b>769,480</b>	<b>10,096</b>	<b>4</b>	<b>23,879</b>	<b>803,459</b>
<b>CASH AND POOLED INVESTMENTS - END OF YEAR</b>	<b>\$ 840,205</b>	<b>\$ 13,186</b>	<b>\$ 4</b>	<b>\$ 24,294</b>	<b>\$ 877,689</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 35,078	\$ 4,968	\$ (19,736)	\$ -	20,310
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	76,041	-	19,736	-	95,777
Changes in operating assets and liabilities which provided (used) cash:					
Accrued wages payable	171	-	-	-	171
Accounts payable	1,851	(1,878)	-	-	(27)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ 113,141</b>	<b>\$ 3,090</b>	<b>\$ -</b>	<b>\$ -</b>	<b>116,231</b>

## **FIDUCIARY FUNDS**

**FIDUCIARY FUNDS  
COMBINING BALANCE SHEET**

## AGENCY FUNDS

TRUST AND  
AGENCY

## PAYROLL

**TOTALS**

\$	70,619	\$	2,718	\$	73,337
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## Accounts payable

\$ 70,619      \$ 2,718      \$ 73,337

**CITY OF HUDSONVILLE**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2004**

	BALANCE JUNE 30, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
<u>TRUST AND AGENCY FUND</u>				
ASSETS				
Cash and pooled investments	\$ 148,744	\$ 9,635,904	\$ 9,714,029	\$ 70,619
LIABILITIES				
Accounts payable	\$ 148,744	\$ 9,635,904	\$ 9,714,029	\$ 70,619
<u>PAYROLL FUND</u>				
ASSETS				
Cash and pooled investments	\$ 777	\$ 1,589,272	\$ 1,587,331	\$ 2,718
LIABILITIES				
Accounts payable	\$ 777	\$ 1,589,272	\$ 1,587,331	\$ 2,718
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 149,521	\$ 11,225,176	\$ 11,301,360	\$ 73,337
LIABILITIES				
Accounts payable	\$ 149,521	\$ 11,225,176	\$ 11,301,360	\$ 73,337

## **COMPONENT UNITS**

# CITY OF HUDSONVILLE

## BALANCE SHEET/STATEMENT OF NET ASSETS TAX INCREMENT FINANCE AUTHORITY

JUNE 30, 2004

<u>ASSETS</u>	GENERAL OPERATING FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
ASSETS			
Cash and pooled investments	\$ 601,671	\$ -	\$ 601,671
Accrued interest receivable	6,705	-	6,705
<u>TOTAL ASSETS</u>	<u>\$ 608,376</u>	-	<u>608,376</u>
<u>LIABILITIES AND FUND BALANCE/NET ASSETS</u>			
LIABILITIES			
Accounts payable	\$ -		21,596
Accrued interest	-	21,596	21,596
Bond payable	-	1,795,000	1,795,000
	-	1,816,596	1,816,596
FUND BALANCE			
Undesignated	608,376	(608,376)	-
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 608,376</u>	<u>1,208,220</u>	<u>1,816,596</u>
NET ASSETS			
Unrestricted		(1,208,220)	(1,208,220)
TOTAL NET ASSETS (DEFICIT)		<u>\$ -</u>	<u>\$ (1,208,220)</u>



**CITY OF HUDSONVILLE**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE/NET ASSETS  
TAX INCREMENT FINANCE AUTHORITY**

**FOR THE YEAR ENDED JUNE 30, 2004**

	GENERAL OPERATING FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
REVENUES			
Taxes	\$ 426,924	\$ -	\$ 426,924
Interest	14,370	-	14,370
TOTAL REVENUES	441,294	-	441,294
EXPENDITURES			
Debt service:			
Principal retirement	120,000	(120,000)	-
Interest	119,390	(1,048)	118,342
Miscellaneous	450		450
TOTAL EXPENDITURES	239,840	(121,048)	118,792
REVENUES OVER (UNDER) EXPENDITURES	201,454	(201,454)	-
CHANGE IN NET ASSETS	-	322,502	322,502
FUND BALANCE/NET ASSETS (DEFICIT) , BEGINNING OF YEAR	406,922		(1,530,722)
FUND BALANCE/NET ASSETS (DEFICIT), END OF YEAR	\$ 608,376		\$ (1,208,220)

# CITY OF HUDSONVILLE

## BALANCE SHEET/STATEMENT OF NET ASSETS LOCAL DEVELOPMENT FINANCE AUTHORITY

JUNE 30, 2004

<u>ASSETS</u>	GENERAL OPERATING FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
ASSETS			
Cash and pooled investments	\$ 751	\$ -	\$ 751
Accrued interest receivable	7	-	7
	<hr/>	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	<u>\$ 758</u>	<u>-</u>	<u>758</u>
 <u>LIABILITIES AND FUND BALANCE/NET ASSETS</u>			
LIABILITIES			
Advance from primary government	\$ 60,170		60,170
Accrued interest	-	3,822	3,822
Note payable	252,219	-	252,219
	<hr/>	<hr/>	<hr/>
	312,389	3,822	316,211
	<hr/>	<hr/>	<hr/>
FUND BALANCE			
Undesignated (deficit)	(311,631)	311,631	-
	<hr/>	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 758</u>	<u>315,453</u>	<u>316,211</u>
NET ASSETS			
Unrestricted		(315,453)	(315,453)
		<hr/>	<hr/>
TOTAL NET ASSETS (DEFICIT)		<u>\$ -</u>	<u>\$ (315,453)</u>

**CITY OF HUDSONVILLE**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE/NET ASSETS  
LOCAL DEVELOPMENT FINANCE AUTHORITY**

**FOR THE YEAR ENDED JUNE 30, 2004**

	GENERAL OPERATING FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
REVENUES			
Taxes	\$ 205,412	\$ -	\$ 205,412
Interest	1,381	-	1,381
TOTAL REVENUES	206,793	-	206,793
EXPENDITURES			
Debt service:			
Interest	32,539	(3,390)	29,149
REVENUES OVER (UNDER) EXPENDITURES	174,254	(174,254)	-
CHANGE IN NET ASSETS	-	177,644	177,644
FUND BALANCE/NET ASSETS (DEFICIT) , BEGINNING OF YEAR	(485,885)		(493,097)
FUND BALANCE/NET ASSETS (DEFICIT), END OF YEAR	\$ (311,631)		\$ (315,453)

# CITY OF HUDSONVILLE

## BALANCE SHEET/STATEMENT OF NET ASSETS DOWNTOWN DEVELOPMENT AUTHORITY

JUNE 30, 2004

<u>ASSETS</u>	GENERAL OPERATING FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
ASSETS			
Cash and pooled investments	\$ 32,559	\$ -	\$ 32,559
Accrued interest receivable	356	-	356
<u>TOTAL ASSETS</u>	<u>\$ 32,915</u>	-	<u>32,915</u>
<u>LIABILITIES AND FUND BALANCE/NET ASSETS</u>			
LIABILITIES			
Accounts payable	\$ 3,624		3,624
FUND BALANCE			
Undesignated	29,291	(29,291)	-
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 32,915</u>	<u>(29,291)</u>	<u>3,624</u>
NET ASSETS			
Unrestricted		29,291	29,291
TOTAL NET ASSETS		<u>\$ -</u>	<u>\$ 29,291</u>

**CITY OF HUDSONVILLE**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE/NET ASSETS  
DOWNTOWN DEVELOPMENT AUTHORITY**

**FOR THE YEAR ENDED JUNE 30, 2004**

	GENERAL OPERATING FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
REVENUES			
Taxes	\$ 5,331	\$ -	\$ 5,331
Interest	586	-	586
Miscellaneous	2,773	-	2,773
TOTAL REVENUES	8,690	-	8,690
EXPENDITURES			
Capital outlay	3,600	-	3,600
Miscellaneous	8,613	-	8,613
TOTAL EXPENDITURES	12,213	-	12,213
REVENUES OVER (UNDER) EXPENDITURES	(3,523)	3,523	-
CHANGE IN NET ASSETS	-	(3,523)	(3,523)
FUND BALANCE/NET ASSETS, BEGINNING OF YEAR	32,814		32,814
FUND BALANCE/NET ASSETS, END OF YEAR	\$ 29,291		\$ 29,291

**SCHEDULE OF INDEBTEDNESS**

**CITY OF HUDSONVILLE**  
**SCHEDULE OF INDEBTEDNESS**

**JUNE 30, 2004**

	INTEREST RATES	INTEREST DATES	ISSUE DATE	FINAL MATURITY DATE	PRINCIPAL PAYMENT	
					DATE	AMOUNT
GENERAL OBLIGATION DEBT						
Governmental Activities:						
1990 MI Transportations	5 - 7%	4/1, 10/1	1990	2005	10/1/04	\$ 40,000
						<u>40,000</u>

(Continued)

**CITY OF HUDSONVILLE**  
**SCHEDULE OF INDEBTEDNESS (CONTINUED)**

**JUNE 30, 2004**

	INTEREST RATES	INTEREST DATES	ISSUE DATE	FINAL MATURITY DATE	PRINCIPAL PAYMENT	
					DATE	AMOUNT
1999 Special Assessment	4.75 - 5%	4/1,10/1	1999	2014	04/01/05	\$ 15,000
					04/01/06	15,000
					04/01/07	15,000
					04/01/08	15,000
					04/01/09	15,000
					04/01/10	15,000
					04/01/11	15,000
					04/01/12	10,000
					04/01/13	10,000
					04/01/14	10,000
						<u>135,000</u>
2001 MI Transportation Fund	4.25 - 7.25%	5/1,11/1	2001	2011	5/1/2005	50,000
					5/1/2006	55,000
					5/1/2007	55,000
					5/1/2008	60,000
					5/1/2009	60,000
					5/1/2010	65,000
					5/1/2011	65,000
						<u>410,000</u>
2001 Installment Purchase Contract	3.97%	4/1, 10/1	2001	2011	4/1/2005	65,507
					4/1/2006	68,108
					4/1/2007	70,812
					4/1/2008	73,623
					4/1/2009	76,545
					4/1/2010	79,584
					4/1/2011	82,744
						<u>516,923</u>
Accrued Compensated Absences						<u>116,507</u>
TOTAL GENERAL OBLIGATION DEBT						<u>5,678,430</u>

(Continued)



**CITY OF HUDSONVILLE**  
**SCHEDULE OF INDEBTEDNESS (CONTINUED)**

**JUNE 30, 2004**

JUNE 30, 2001

	INTEREST RATES	INTEREST DATES	ISSUE DATE	FINAL MATURITY DATE	INCIPAL PAYMENT DATE	AMOUNT
COMPONENT UNIT DEBT						
1991 Downtown Development Bonds	5.5 - 7%	12/1, 6/1	1991	2010	6/1/05	\$ 75,000
					6/1/06	75,000
					6/1/07	100,000
					6/1/08	100,000
					6/1/09	125,000
					6/1/10	125,000
						600,000
General Obligation Limited Tax Development Bonds 1994 Series	5.5 - 8.5%	4/1,10/1	1994	2014	4/1/05	65,000
					4/1/06	90,000
					4/1/07	85,000
					4/1/08	115,000
					4/1/09	100,000
					4/1/10	100,000
					4/1/11	160,000
					4/1/12	160,000
					4/1/13	160,000
					4/1/14	160,000
					1,195,000	
Local Development Finance Authority note to be paid based on tax revenue receipts	7%		1993			252,219
TOTAL COMPONENT UNIT DEBT						2,047,219

(Continued)

**CITY OF HUDSONVILLE**  
**SCHEDULE OF INDEBTEDNESS (CONTINUED)**

**JUNE 30, 2004**

	INTEREST RATES	INTEREST DATES	ISSUE DATE	FINAL MATURITY DATE	INCIPAL PAYMENT	
					DATE	AMOUNT
ENTERPRISE FUND DEBT						
1999 Series	4 - 5.2%	4/1,10/1	1999	2019	4/1/2005	\$ 35,000
					4/1/2006	30,000
					4/1/2007	35,000
					4/1/2008	35,000
					4/1/2009	40,000
					4/1/2010	40,000
					4/1/2011	45,000
					4/1/2012	45,000
					4/1/2013	50,000
					4/1/2014	45,000
					4/1/2015	50,000
					4/1/2016	50,000
					4/1/2017	55,000
					4/1/2018	60,000
					4/1/2019	60,000
						675,000
1998 Drinking Water Revolving Fund	2.5%	4/1,10/1	1998	2019	4/1/2005	20,000
					4/1/2006	25,000
					4/1/2007	25,000
					4/1/2008	25,000
					4/1/2009	25,000
					4/1/2010	25,000
					4/1/2011	25,000
					4/1/2012	25,000
					4/1/2013	25,000
					4/1/2014	25,000
					4/1/2015	30,000
					4/1/2016	30,000
					4/1/2017	30,000
					4/1/2018	30,000
					4/1/2019	30,000
						395,000
TOTAL ENTERPRISE FUND DEBT						1,070,000
TOTAL LONG-TERM OBLIGATIONS						\$ 8,795,649

(Concluded)

**INTERNAL CONTROL  
AND  
COMPLIANCE**



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

August 11, 2004

Honorable Mayor and  
Members of the City Council  
Hudsonville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hudsonville, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated August 11, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the City of Hudsonville, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hudsonville, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rehmann Robson*